

News Release

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FOR IMMEDIATE RELEASE

Attorney General's Office responds to State Compensation Fund lawsuit

(Phoenix, AZ—August 11, 2003) Attorney General Terry Goddard announced today that his office has filed an answer and counterclaim in the *State Compensation Fund et al. v. Peterson et al.*, No. CV 2003-011970, lawsuit that was filed by the State Compensation Fund and others in Maricopa County Superior Court on June 20, 2003.

The suit challenges the constitutionality of a portion of the law passed by the Legislature earlier this year to balance the State's budget. The section at issue transferred \$50,000,000 from the State Compensation Fund to the General Fund in exchange for state property assets. See Section 21 of HB 2002 (First Special Session). Prior to the lawsuit being filed, negotiations had begun to transfer ownership of the State Hospital to the Compensation Fund in exchange for the \$50,000,000.

Defendants named in the suit are the State Treasurer, the Governor, the Attorney General, and the Director of the Department of Administration.

The complaint alleges that the Legislature violated nine state and federal constitutional provisions. The lawsuit was filed after the Legislature adjourned without enacting HB 2195 that would have prevented a similar transfer from the State Comp Fund in the future. That bill passed the Senate unanimously, but was never heard in the House.

The Attorney General's answer asserts that the transfer of funds from the Compensation Fund to the State in exchange for state assets was within the Legislature's power. In addition, the Attorney General filed a counterclaim to compel the Compensation Fund to proceed with the transfer. The case has been assigned to Judge Rebecca Albrecht.

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